

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

**DEXTER VILLAGE
LOCAL DEVELOPMENT
FINANCE AUTHORITY**

FINANCIAL STATEMENTS

February 28, 2006

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
 BASIC FINANCIAL STATEMENTS:	
Governmental Funds Balance Sheet/Statement of Net Assets	2
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/ Statement of Activities	3
Budgetary Comparison Statement – Governmental Fund	4
Notes to Financial Statements	5
 SUPPLEMENTAL MATERIAL:	
Schedule of Long-Term Debt	10



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INDEPENDENT AUDITORS' REPORT

To the Board of the
Dexter Village Local Development Finance Authority
Dexter, Michigan

We have audited the accompanying basic financial statements of the Local Development Finance Authority of the Village of Dexter (a component unit of the Village of Dexter) as of February 28, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Local Development Finance Authority of the Village of Dexter, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Local Development Finance Authority of the Village of Dexter, Michigan as of February 28, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Local Development Finance Authority of Dexter, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

Berthiaume & Co.

August 9, 2006

BASIC FINANCIAL STATEMENTS

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET ASSETS

February 28, 2006

	<i>Governmental Fund</i>	<i>Adjustments (Note 1)</i>	<i>Statement of Net Assets</i>
Assets			
Cash and equivalents	\$ 789,163	\$ -	\$ 789,163
Due from other governmental unit	<u>69,991</u>	<u>-</u>	<u>69,991</u>
Total assets	<u>\$ 859,154</u>	<u>-</u>	<u>859,154</u>
Liabilities			
Accounts payable	\$ -	-	-
Due to other governmental units	-	-	-
Noncurrent liabilities:			
Due within one year	-	490,000	490,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>490,000</u>	<u>490,000</u>
Fund Balance/net assets			
Net assets – unrestricted	<u>859,154</u>	<u>(490,000)</u>	<u>\$ 369,154</u>
Total liabilities and fund balance	<u>\$ 859,154</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY**STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES**

Year Ended February 28, 2006

	<i>Governmental Fund</i>	<i>Adjustments (Note 1)</i>	<i>Statement of Net Assets</i>
Revenues			
Property taxes	\$ -	\$ -	\$ -
Interest income	31,967	-	31,967
Total revenues	31,967	-	31,967
Expenditures			
Contribution to:			
County Economic Development Council	7,500	-	7,500
Village of Dexter	52,074	-	52,074
Legal and professional	1,735	-	1,735
Other administrative	1,538	-	1,538
Debt Service:			
Principal	636,742	(636,742)	-
Interest	32,953	-	32,953
Fees	300	-	300
Total expenditures	732,842	(636,742)	96,100
Excess (deficiency) of revenues over expenditures/change in net assets	(700,875)	636,742	(64,133)
Fund balance/net assets, beginning of year	1,560,029	(636,742)	433,287
Fund balance/net assets, end of year	\$ 859,154	\$ -	\$ 369,154

The accompanying notes are an integral part of these financial statements.

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY*GOVERNMENTAL FUND***BUDGETARY COMPARISON STATEMENT**

Year Ended February 28, 2006

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Favorable (Unfavorable)</i>
Revenues				
Property taxes	\$ -	\$ -	\$ -	-
Interest	5,000	5,000	31,967	26,967
Total revenues	5,000	5,000	31,967	26,967
Expenditures				
Contribution to:				
County Economic Development Council	7,500	7,500	7,500	-
Village of Dexter	53,000	53,000	52,074	926
Administration, legal and audit	4,400	4,400	3,273	1,127
Debt Service:				
Debt principal	1,126,742	1,126,742	636,742	490,000
Debt interest	45,203	45,203	32,953	12,250
Debt service fees	600	600	300	300
Total expenditures	1,237,445	1,237,445	732,842	504,603
Excess of revenues over (under) expenditures	(1,232,445)	(1,232,445)	(700,875)	531,570
Fund balance, beginning of year	1,560,029	1,560,029	1,560,029	-
Fund balance, end of year	\$ 327,584	\$ 327,584	\$ 859,154	\$ 531,570

The accompanying notes are an integral part of these financial statements.

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dexter Village Local Development Finance Authority (LDFA) was formed by resolution of the Village Council May 26, 1987. The Village of Dexter created the LDFA by the authority of Act 281, Public Acts of Michigan, 1986.

The purpose of the LDFA is to promote the economic growth of the Village.

Plans for the LDFA and a related Tax Increment Finance Plan are to capture property taxes on certain property improvements in the Dexter Business and Research Park. Tax revenues collected by the LDFA on these properties within its boundaries will be used to service various loans or bond issues. See related note concerning Long-Term Debt. The proceeds of these bond issues were used by the Village for infrastructure improvements at the Dexter Business and Research Park.

The accounting policies of the Dexter Village Local Development Finance Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

(a) THE REPORTING ENTITY

The Authority has adopted the position of the Government Accounting Standards Board regarding the definition of the reporting entity and component units.

The LDFA has had numerous transactions involving the Village of Dexter relative to the Construction of the Dexter Industrial Park, sale of lots in the industrial park and bond issue matters. The Village of Dexter, in this connection, has pledged its backing on the LDFA Long-Term Debt. See related note concerning Long-Term Debt.

The LDFA's basic financial statements present combined governmental fund modified accrual financial statements and government-wide full accrual financial statements. As of and for the year ended February 28, 2006, adjustments were made to the amounts in the governmental fund for long-term debt and related accrued interest in order to arrive at the government-wide full accrual financial statements. Accrued interest payable as of February 28, 2006 was immaterial and not recorded. The LDFA has elected to not present a management's discussion and analysis.

The LDFA is a component unit of the Village of Dexter, Michigan and is included in the basic financial statements of the Village at February 28, 2006 as a discretely presented component unit.

(b) BASIS OF ACCOUNTING

The accounting policies of the LDFA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The government-wide accrual financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2006

in the year for which they are levied. The LDFA ceased the capture of property taxes with the 2004 tax year because the fund balance is sufficient to pay off the long-term debt and the purposes of the LDFA have been accomplished. For the purpose of the government-wide financial statements, the LDFA reports a liability for the outstanding debt which will be repaid in future periods. A significant portion of the LDFA's activities in previous years related to investments in infrastructure that are the property of and are reported as an asset in the basic financial statements of the Village of Dexter, Michigan rather than in the LDFA's financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTE 2 – BUDGET INFORMATION

The annual budget is prepared and adopted by the LDFA Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at February 28, 2006 has not been calculated. During the year, the budget was amended in a legally permissible manner if needed. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total expenditures basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the LDFA Board is included in the basic financial statements. This statement is presented on a line-item basis for information purposes.

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the LDFA deposits may not be returned to them. The LDFA does not have a deposit policy for custodial credit risk. At year end, the LDFA had \$789,163 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

Investments

The LDFA is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. The LDFA had no investments during the year.

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2006

NOTE 4 – LONG-TERM DEBT

The following is a summary of changes in the principal balance of long-term debt of the LDFA during the year ended February 28, 2006:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Governmental Activities:					
1999 Contract Payable to Village (1999 Water Project)	\$ 176,775	\$ -	\$ 176,775	\$ -	\$ -
1999 Contract Payable to Village (2000 Sewer Project)	114,967	-	114,967	-	-
1999 LDFA Limited Tax G.O., Local Development Refunding Bonds (paid off 1991 Bonds)	835,000	-	345,000	490,000	490,000
Total debt obligations	<u>\$ 1,126,742</u>	<u>\$ -</u>	<u>\$ 636,742</u>	<u>\$ 490,000</u>	<u>\$ 490,000</u>

The annual requirements to service the outstanding debt are as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 490,000	\$ 12,250	\$ 502,250
Total	<u>\$ 490,000</u>	<u>\$ 12,250</u>	<u>\$ 502,250</u>

NOTE 5 – PROPERTY TAXES

The Dexter Village LDFA is authorized to capture certain tax levies of other governmental units on properties within the LDFA district. A "floor" of \$30,000 of real property value and \$832,600 of personal property value is not captured by the LDFA. Also, the LDFA does not capture the various "debt" levies of the other governmental units. In addition, and as a result of Proposal A, the capture of school taxes is limited to the amount required to service pre-Proposal A LDFA debt obligations.

The Dexter Village LDFA has elected to cease the capture of property taxes because as of February 28, 2006 the cash balance exceeds the balance of the remaining debt obligation. The LDFA reports no property tax revenue for the year ended February 28, 2006.

SUPPLEMENTAL MATERIAL

DEXTER VILLAGE LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF LONG-TERM DEBT

February 28, 2006

	<i>Fiscal Year End</i>	<i>FISCAL YEAR</i>	
		<i>Interest Amount Due</i>	<i>Principal Amount Due</i>
1999 Local Development Refunding Bonds,			
General Obligation, Limited Tax Issue			
of \$2,070,000 dated August 19, 1999,			
maturing April 1, (principal and interest)			
and October 1, (interest)			
Interest rate: 4.1% to 5.0%	2007	\$ 12,250	\$ 490,000
Total amount due		<u>\$ 12,250</u>	<u>\$ 490,000</u>



August, 2006

To The Board
Dexter Village LDFA

We have audited the financial statements of the Dexter Village LDFA for the year ended February 28, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Dexter Village LDFA in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Dexter Village LDFA are described in Note 1 to the financial statements. We noted no transactions entered into by the Dexter Village LDFA during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Dexter Village LDFA's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated August 6, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants